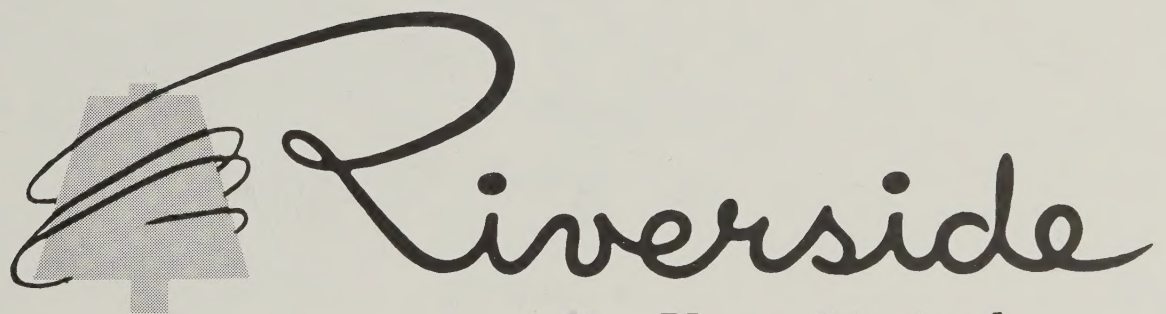


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ANNUAL REPORT



Yarns Limited

1981



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RIVERSIDE YARNS LIMITED

Directors

J. BOECKH
D.M. DEACON
S.E. EDWARDS, Q.C.
A. GOLD
WM. W. LAIRD, Q.C.
E. LAWRENCE
B.J. PATERAS, Q.C.
J.G. WEIR

Officers

WM. W. LAIRD, Q.C.
Chairman
E. LAWRENCE
President
S.E. EDWARDS, Q.C.
Secretary
M.A.N. QUIGLEY
Vice-President & General Manager
O.P. LANGLAIS, JR.
Vice-President & Treasurer

Head Office and Plant

Cornwall, Ontario

Banker

THE TORONTO DOMINION BANK

Solicitors

FRASER & BEATTY

Transfer Agents and Registrars

NATIONAL TRUST COMPANY
Toronto

Auditors

TOUCHE ROSS & CO.
Chartered Accountants
Cornwall, Ontario

Annual Meeting

June 24th, 1982 - 10:00 a.m.
at the office of Messrs. Fraser & Beatty,
on the Forty-first Floor,
First Canadian Place,
King and Bay Streets,
Toronto, Ontario.

RIVERSIDE YARNS LIMITED

REPORT TO THE SHAREHOLDERS

A healthy domestic market in addition to increased export sales in polyester textile filament yarn resulted in capacity operations early in the year. However, domestic conditions then deteriorated so that by the fourth quarter operating levels had declined sharply. Further, due to depressed prices caused by the continuing worldwide surplus of polyester, export sales were greatly reduced. In light of the current economic conditions, a prompt recovery is not expected.

As a result of lower volume, the total number of employees in the Cornwall plant decreased from 303 to 253 during the year. The employees are to be complimented for achieving a high standard of product quality, as well as attaining a fine safety record.

In November 1981, DuPont Canada Inc. announced its decision to write off its polyester feed yarn manufacturing facility at Coteau du Lac, and in January 1982, announced that the facility would be shut down. Your Company is working on alternatives in the event of a possible termination of its existing Agreement with DuPont and is continuing to work closely with the latter.

The Directors extend their thanks to the employees of the Company for their efforts and support during a difficult year.

Submitted on behalf of the Board of Directors.

E. Lawrence,
President.

RIVERSIDE YARNS LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

	January 1, 1982	January 2, 1981
ASSETS		
Current		
Cash	\$ 1,698,672	\$ 1,190,206
Accounts receivable	36,405	198,468
Machinery parts and packaging supplies	533,106	504,693
Prepaid expenses	115,135	1,585
	2,383,318	1,894,952
Fixed assets - Note 2	5,003,896	7,048,355
Deferred financing charges	—	8,327
Other	9,896	46,162
	<u>\$ 7,397,110</u>	<u>\$ 8,997,796</u>

LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 705,784	\$ 675,846
Dividends payable	29,687	—
Current portion of long term debt - Note 3	2,387,518	2,535,500
	3,122,989	3,211,346
Long term debt - Note 3	2,708,428	4,633,306
Deferred income taxes	412,000	105,000
	<u>6,243,417</u>	<u>7,949,652</u>
Contingency - Note 4		

SHAREHOLDERS' EQUITY		
Capital stock - Note 5	725,500	725,500
Retained earnings	428,193	322,644
	1,153,693	1,048,144
	<u>\$ 7,397,110</u>	<u>\$ 8,997,796</u>

On behalf of the Board:

E. LAWRENCE, Director

WM. W. LAIRD, Q.C. Director

RIVERSIDE YARNS LIMITED

STATEMENT OF INCOME

	Fifty-two week period ended January 1, 1982	Fifty-three week period ended January 2, 1981
Revenues	\$16,215,269	\$13,378,917
Processing and administrative expenses.....	11,537,902	8,973,710
Income before undernoted items.....	4,677,367	4,405,207
Depreciation.....	2,736,997	2,597,101
Interest on long term debt.....	1,214,744	1,213,767
Amortization of deferred financing charges.....	8,327	19,852
	3,960,068	3,830,720
Income before income taxes and extraordinary item.....	717,299	574,487
Income taxes - deferred.....	307,000	235,000
Income before extraordinary item.....	410,299	339,487
Extraordinary item - Note 6.....	—	130,000
Net income.....	\$ 410,299	\$ 469,487
Earnings per common share		
Income before extraordinary item.....	\$.70	\$ 1.39
Net income.....	\$.70	\$ 2.04
Average number of shares outstanding.....	573,750	200,625

STATEMENT OF RETAINED EARNINGS

Retained earnings, beginning of period.....	\$ 322,644	\$ 153,157
Net income.....	410,299	469,487
	732,943	622,644
Dividends.....	304,750	300,000
Retained earnings, end of period.....	\$ 428,193	\$ 322,644

RIVERSIDE YARNS LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fifty-two week period ended January 1, 1982	Fifty-three week period ended January 2, 1981
Working capital derived from		
Operations		
Income before extraordinary item.....	\$ 410,299	\$ 339,487
Add items not requiring the use of working capital		
Depreciation	2,736,997	2,597,101
Amortization	8,327	19,852
Deferred income taxes.....	307,000	235,000
	<u>3,462,623</u>	<u>3,191,440</u>
Issue of capital stock.....	—	367,500
Proceeds from long term debt.....	512,000	685,000
Decrease in other assets - net.....	36,266	42,367
	<u>4,010,889</u>	<u>4,286,307</u>
Working capital applied to		
Dividends.....	304,750	300,000
Additions to fixed assets.....	692,538	640,567
Reduction of long term debt including current portion.....	2,436,878	2,719,422
	<u>3,434,166</u>	<u>3,659,989</u>
Working capital generated.....	576,723	626,318
Working capital deficiency, beginning of period.....	1,316,394	1,942,712
Working capital deficiency, end of period.....	<u>\$ 739,671</u>	<u>\$ 1,316,394</u>

RIVERSIDE YARNS LIMITED

NOTES TO FINANCIAL STATEMENTS

JANUARY 1, 1982

1. Summary of accounting policies

a) Basis of presentation

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern which contemplate the realization of assets and liquidation of liabilities, contingent obligations and commitments in the normal course of business. (See note 4.)

b) Depreciation

The net book value of fixed assets on hand at December 31, 1976 and the cost of subsequent additions are depreciated on the straight line basis at 20% per year.

c) Investment tax credit

The investment tax credit is recognized in the year it is claimed for tax purposes as a reduction of the current tax provision.

d) Leases

All leases entered into prior to January 1, 1979 are accounted for as operating leases.

e) Earnings per share

Earnings per share are calculated on the weighted average number of shares outstanding during the year.

2. Fixed assets

		January 1, 1982		January 2, 1981
	Cost	Accumulated depreciation	Net book value	Net book value
Machinery and equipment. . .	\$14,247,785	\$ 9,353,450	\$ 4,894,335	\$ 6,925,445
Leasehold improvements. . . .	221,053	111,492	109,561	122,910
	<u>\$14,468,838</u>	<u>\$ 9,464,942</u>	<u>\$ 5,003,896</u>	<u>\$ 7,048,355</u>

3. Long term debt

	January 1, 1982	January 2, 1981
Term bank loans, at bank prime rate, each payable in sixty monthly instalments.	\$ 4,952,028	\$ 6,891,828
8% debenture, due on December 15, 1982 with blended monthly principal and interest payments of \$12,500.	143,918	276,978
	<u>5,095,946</u>	<u>7,168,806</u>
Less current portion.	<u>2,387,518</u>	<u>2,535,500</u>
	<u>\$ 2,708,428</u>	<u>\$ 4,633,306</u>

a) The term bank loans and the 8% debenture are secured by the Company's fixed assets and by a floating charge on the Company's undertaking and its other property and assets, both present and future, subject to the right of the Company to deal with its property and assets in the ordinary course of business.

b) The long term debt is repayable as follows:

1982.....	\$ 2,387,518
1983.....	1,442,800
1984.....	1,093,400
1985.....	143,428
1986.....	28,800
	<u>\$ 5,095,946</u>

c) On February 26, 1982 the bank agreed to reduce the principal repayments in 1982 from \$2,243,600 to approximately \$1,175,000.

4. Contingency

In 1977 the Company entered into a commission texturing agreement with DuPont Canada Inc. which committed the Company's processing facilities exclusively to DuPont until October 31, 1982 with provision for renewal or termination.

DuPont has announced its suspension of the domestic manufacture of the product which is processed by the Company's facilities. The Company is currently studying alternative arrangements in the event that DuPont terminates the agreement.

5. Capital stock

a) The authorized capital is:

1,740,000 common shares without par value (1980 - 1,500,000)

The issued capital is:

593,750 common shares (1980 - 353,750)

b) During the year 120,000 Class A shares were subdivided and reclassified as 240,000 common shares, thereby increasing the number of authorized common shares to 1,740,000.

6. Extraordinary item

The extraordinary item of \$130,000 resulted from the income tax reduction realized by utilizing an excess of undepreciated capital cost over net book value of fixed assets of approximately \$335,000. The tax effect had not been recorded in the accounts in prior years.

7. Commitments

The Company rents its land and buildings under a thirty year lease effective September 1, 1975 at an annual rent of approximately \$1,335,000. The rent is adjusted to reflect the changes in the lessor's financing arrangements. A director of the Company is the beneficial owner of 32.1% of the lessor company's outstanding equity shares.

This lease qualifies as a capital lease. If the Company accounted for this lease as a capital lease rather than an operating lease the following changes in the financial statements would occur.

i) Assets under capital lease would be shown on the balance sheet in the amount of \$7,722,000 (1980 - \$7,722,000) less accumulated amortization of \$1,095,098 (1980 - \$816,490).

ii) Obligations under capital lease in the amount of \$7,613,594 (1980 - \$7,635,228) would be included in liabilities.

iii) Although capitalization of the lease would result in an increased charge to operations of approximately \$225,000 (1980 - \$250,000), as a result of the agreement referred to in Note 4, net income for the year would not be affected.

8. Remuneration of directors and officers

Remuneration of directors and senior officers amounted to \$250,233 (1980 - \$226,313).

AUDITORS' REPORT

The Shareholders
Riverside Yarns Limited

We have examined the balance sheet of Riverside Yarns Limited as at January 1, 1982 and the statements of income, retained earnings and changes in financial position for the fifty-two week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at January 1, 1982 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Cornwall, Ontario
April 20, 1982

TOUCHE ROSS & CO.
Chartered Accountants

